

## Apollo to Invest up to INR 2,250 Crores in The Welspun Group

**Mumbai, June 29, 2011:** Welspun Corp Limited (WCL), a leading global pipe manufacturer, and certain of its affiliates, today announced that it has agreed to a transaction by which funds affiliated with Apollo Global Management, LLC (NYSE: APO; together with its affiliates, “Apollo”) - one of the world’s leading private equity firms - will invest in the Welspun Group. The transaction is expected to close on or before August 12<sup>th</sup>, 2011.

The Board of Directors of Welspun Corp Limited (WCL), Welspun Maxsteel Limited (WMSL), and Welspun Infratech Limited (WITL) have carefully considered and agreed to accept Apollo’s investment proposals in meetings held on 29<sup>th</sup> June 2011 and these Boards have universally viewed this transaction as a positive, landmark event in the trajectory of the Welspun Group.

As a part of the total investment plan, funds affiliated with Apollo will invest INR 1,305 Crores in WCL, of which INR 788 Crores will be invested by way of a preferential allotment of FCD/CCD (Fully/Compulsorily Convertible Debentures) and INR 517 Crores by way of non-voting Global Depository Receipts (“GDR’s”). The FCD’s/CCD’s will carry a coupon of 5% and will be mandatorily and fully converted within 18 months into equity shares at Rs 225 per share, which represents 13.3% of the equity capital of WCL. Further, Apollo will subscribe to non-voting GDR’s of INR 517 Crores at the same price of Rs 225 per share.

The Board of Directors of WCL and funds affiliated with Apollo have also agreed to acquire the entire Promoter stake in WMSL. WMSL is currently one of the largest gas-based merchant direct reduced iron (“DRI”) producers in India and is proposing to expand downstream into the production of high-end steel slabs. With this transaction, WCL has taken firm steps in the direction of becoming a more vertically integrated manufacturer in the oil & gas line-pipe industry and continues in the direction of accomplishing the “ore to pipes” vision of the company. As part of the transaction, WCL will be purchasing 87.5% of the WMSL equity for a total consideration of INR 805 Crores and Apollo will be purchasing 12.5% of the WMSL equity for a total consideration of INR 140 Crores. Further Apollo will invest an additional INR 130 Crores for capital expenditure.

The above investment plan is subject to necessary regulatory and statutory approvals and is expected to be completed within 45 days.

Apollo and its affiliates are also in active discussions with WITL, a subsidiary of WCL, to explore an additional investment of up to Rs 675 Crores in WITL (in the form of debt, equity or a combination of the two) and its subsidiaries. The end use of the funds in WITL will be project specific and the form of such investments is being actively reviewed and considered.

### **Strategic Benefits**

WMSL is currently producing DRI and is proposing to set up a 1.5mn MTPA high-end steel slab facility. This initiative is an important step in creating an integrated business model (from iron-ore to DRI to Plates-and-Coils to Pipes) and will enhance Welspun’s already impressive capabilities to compete in the global oil & gas line-pipe market. More specifically, it will enable the business to

withstand underlying volatility in steel prices and deliver predictable business and optimal solution to customers.

### **Management Comments**

Commenting on this investment, Mr. B. K. Goenka, Chairman of Welspun said, “We are extremely delighted to have Apollo as one of our largest stakeholders. Apollo is one of the largest private equity fund managers in the world. Apollo’s investment in Welspun is a landmark transaction for the Indian capital markets and demonstrates trust and confidence in Welspun’s management team, the firm’s global reach in servicing some of the largest oil and gas companies in the world, and our collective vision for the future of the industry. We believe that this partnership will pave the way for Welspun to continue on its path of becoming one of the leading line-pipe companies in the world.”

Mr. Joshua Harris, Managing Partner and Co-Founder of Apollo Global Management, LLC said “Since 1990, Apollo has developed substantial expertise and valuable relationships across a handful of core industries through our private equity investment activities. Welspun represents a leading global franchise that operates at the intersection of energy and metals -- two of our core verticals -- and we are very enthusiastic regarding the prospects of the company.”

Mr. Minto Bhandari, the Managing Director of AGM India Advisors Ltd, said “Welspun has a strong history of growth and profitability in global oil & gas line pipe industry and is at the cusp of becoming a leading, global integrated pipe manufacturer. The track-record of operational performance at Welspun is unique and we believe that the management is committed to building on its current, impressive capabilities.”

Mr. Sanjay Patel, Head of International Private Equity and Senior Partner of Apollo Management International LLP said, “Our investment in Welspun is consistent with our approach of investing in sectors in which we have significant knowledge and experience at Apollo and in companies in which we believe we can add significant value. We believe the timing is right for both Apollo and Welspun to come together to deliver upon the considerable potential inherent in Welspun.”

### **About Welspun Group [www.welspun.com](http://www.welspun.com)**

*US\$ 3 billion Welspun Group, is an amalgamation of expertise, resources, opportunities and engineering excellence. With global leadership positions in Line-Pipe and Home Textiles, its marquee client list includes most of the Fortune 100 Companies operating in the Oil & Gas and Retail sectors like Chevron, Exxon Mobil, Wal-Mart, and Target amongst others. With a strong foothold in over 50 countries, over 24,000 employees and over 100,000 shareholders, Welspun is one of India's fastest growing conglomerates. Welspun believes in its crucial role of a responsible corporate citizen and sincerely practices empowerment of the underprivileged and sustenance of the environment. Guided by the six 'E's - Enrichment of mind, Enrichment of body, Education, Empathy, Empowerment of Women and Environment sustenance, each and every Welspunite contributes towards the betterment of the community at large.*

### **About Welspun Corp Ltd. (WCL) [www.welspuncorp.com](http://www.welspuncorp.com)**

*WCL is a one-stop service provider offering complete pipe solutions with a capability to manufacture line-pipes ranging from ½ inch to 100 inches, along with specialized coating, double jointing and bending. With current capacity of approx 2 mn MTPA in Dahej, Anjar in Gujarat, India,*

*Little Rock, Arkansas in the USA and Saudi Arabia, Welspun takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies. With 360 degree offerings, WCL has undertaken some of the most challenging projects in different parts of the world. The company has further strengthened its services to become an integrated Pipe manufacturer by setting up a world class plates and coils manufacturing facility. Since its inception, WCL has consistently excelled in new business ventures and is committed to its strategy of complete integration by being a one stop solution in the Line-Pipe segment, capturing the entire value chain from manufacturing of Plate & Coil to Line pipe and finally to Pipe laying. With business excellence being a clear focus, the company will continue with its clear mandate on innovation, technology, global scale operations and capturing the entire value chain as much as possible to generate value for its stakeholders.*

**About Welspun Maxsteel Ltd [www.welspunmaxsteel.com](http://www.welspunmaxsteel.com)**

*Welspun Maxsteel Ltd. is the largest merchant producer of gas based DRI in the country and the first and the only one of its kind in the world to produce both HBI and DRI (Direct Reduced Iron) from the same reactor using state of the art technology. WMSL was formed on 22 May, 2009 after Welspun Steel Ltd. completed the acquisition of Vikram Ispat, the Sponge Iron division business of Grasim Industries Ltd. The facilities are spread across 435 acres of land with a captive Port, and is located in Salav village in Raigad district of Maharashtra.*

**About Welspun Infratech Ltd**

*Welspun Infratech Ltd. a subsidiary of WCL, offers construction and infrastructure services in India. It holds 61.12% in Welspun Projects Ltd (earlier MSK Projects Ltd) and a 35% stake in Leighton Contractors (India) Pvt. Ltd.*

**About Apollo Global Management, LLC [www.agm.com](http://www.agm.com)**

*Apollo is a leading global alternative asset manager with offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Mumbai and Hong Kong. Apollo had assets under management of \$70 billion as of March 31, 2011, in private equity, credit-oriented capital markets and real estate funds invested across a core group of nine industries where Apollo has considerable knowledge and resources.*

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